

ORIGINAL

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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OFFICE OF THE SECRETARY

SPECIAL SERVICES FEES  
AND CLASSIFICATIONS

Docket No. MC96-3

RESPONSE OF MAJOR MAILERS ASSOCIATION  
WITNESS RICHARD BENTLEY TO SECOND SET OF REQUESTS  
FOR PRODUCTION OF DOCUMENTS AND INTERROGATORIES  
OF UNITED STATES POSTAL SERVICE  
(USPS/MMA-16-26)

The Major Mailers Association hereby provides responses of witness Richard Bentley to the following interrogatories of the United States Postal Service: USPS/MMA-16 through 26, filed on October 29, 1996.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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November 7, 1996



**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

**USPS/MMA-16.**

In your response to MMA/USPS-9(c), you state that the cost methodology used by the Commission in this docket "is very similar, if not identical" to what you define as the approved cost methodology (Docket No. R94-1 on reconsideration). Please explain in detail the basis for your conclusion, including a discussion of all evidence or other information which supports your conclusion.

**RESPONSE**

The basis for my conclusion is the Commission's statement, in Order No. 1134 (p. 16), that the cost methodology used by the Commission in this docket, as provided in PRC-LR-1 and 2, "us[es] the established methodology of single subclass stops" and "us[es] approved methods." In the introduction to PRC-LR-2 the Commission states that "[T]he basic operation of the Commission's cost model is the same as in the last omnibus rate proceeding, Docket No. R94-1." (no page number). I accepted the Commission's representations and made no independent analysis of Library Reference PRC-LR-1 and 2

**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

**USPS/MMA-17.**

Have you performed any analysis of the Commission's costing methodology reflected in PRC-LR-1 and 2? If so, please provide that analysis, including all notes, spreadsheets, workpapers, electronic files, and other related documentation. If not, why not?

**RESPONSE**

See my answer to Interrogatory USPS/MMA-8(a). I did not regard it as appropriate to analyze, to replicate or to attempt to replicate Library Reference PRC-LR-1 and 2 in view of the Commission's representations that Library Reference PRC-LR-1 and 2 "us[es] the established methodology of single subclass stops" (Order No. 1134, p. 16) and "us[es] approved methods" (*id.*) and that "the basic operation of the Commission's cost model is the same as in the last omnibus rate proceeding, Docket No. R94-1" (PRC-LR-2, Introduction)

There are additional reasons that I did not consider it appropriate or necessary to analyze, to replicate or attempt to replicate Library Reference PRC-LR-1 and 2. In Order No. 1126 (p. 9), the Commission explained the problems that participants would encounter if they attempted to make such calculations on their own. In addition, the Commission has found that "the Service is in the best position to apply approved attribution and distribution methodologies to its accrued cost data, and that it was neither unduly burdensome nor otherwise unreasonable to direct the Service to submit this information for the use of participants and the Commission" (Order No. 1134, p. 4) and that it is not the responsibility of the parties to "disentangle the effect of the Postal Service's proposed changes to established attribution methods." (Order No. 1126, p. 12) or "make complex adjustments to the Postal Service's cost presentation of the kind that witness Patelunas describes in Attachment D to the Motion" (Order No. 1126, p. 9). See also my

**MMA WITNESS: RICHARD BENTLEY**  
**USPS/MMA-17**

answers to Interrogatories USPS/MMA-6(c) (fourth paragraph), 7(c), and 13(b).

I did, of course, employ information contained in Library Reference PRC-LR-1 and 2 for purpose of making the analysis contained in Library Reference MMA-LR-1, a copy of which is attached

# MMA-LR-1

**Apportionment of "Attributable" and "Institutional" Costs Using  
the PRC and USPS Attributable Cost Methodologies  
for BY 1995 in Docket No. MC96-3**

**Sponsored by:  
Richard E. Bentley**

**On Behalf of:  
Major Mailers Association**

**September 30, 1996**

**Docket No. MC96-3**

USPS Finances For BY 1995 Using USPS and PRC Cost Methodologies

Docket No. MC96-3

(\$000)

Computation of Attributable Cost Difference

Line	Subclass	USPS Attrib Costs	PRC Attrib Costs2	Difference Attrib Costs	PRC Attrib Cost Factor
1	First Class Letters	\$17,856,472	\$18,392,713	\$536,241	50.18%
2	Third Class BRR	\$6,145,129	\$6,531,281	\$386,152	36.13%
3	All Other	\$9,687,755	\$9,834,041	\$146,286	13.69%
4	Grand Total	\$33,689,356	\$34,758,035	\$1,068,679	100.00%
Computation of USPS Institutional Cost Apportionment Factors					
1	First Class Letters	\$17,856,472	\$30,821,411	\$12,964,939	62.27%
6	Third Class BRR	\$6,145,129	\$10,267,615	\$4,122,486	19.80%
7	All Other	\$9,687,755	\$13,420,347	\$3,732,592	17.93%
8	Grand Total	\$33,689,356	\$54,509,373	\$20,820,017	100.00%
USPS Institutional Cost Apportionment Factors					
5	Subclass	USPS Attrib Costs	USPS Rev Target	Institutional Cost Burden	USPS Institutional Cost Apportionment Factor
5	First Class Letters	\$17,856,472	\$30,821,411	\$12,964,939	62.27%
6	Third Class BRR	\$6,145,129	\$10,267,615	\$4,122,486	19.80%
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8	Grand Total	\$33,689,356	\$54,509,373	\$20,820,017	100.00%

1/ Exhibit USPS-T-5B, pages 1 and 2  
 2/ Grand Total less (First-Class Letters + Third Class BRR)  
 3/ Library Reference PRC-LR-2, Matrix by 951p.1r, Page 50  
 4/ USPS Witness Petalunas' Workpaper WP-A, pages 129-130

Apportionment of "Attributable" and "Institutional" Costs Using the PRC and USPS Attributable  
Cost Methodologies for BY 1995 in Docket No. MC96-3  
(\$000)

Line	Methodology	First-Class Letters	Third-Class BRR	Other Subclasses and Services	Total	Ratio of First-Class to Third-Class
		1	2	3	4	5
		(Col 1 / Col 2)				
1	Commission Method: Additional Attributable Costs	\$536,241	1/ \$386,152	1/ \$146,286	1/ \$1,068,679	1.39
2	USPS Method: Apportioned As Institutional Costs	\$665,483	2/ \$211,605	2/ \$191,592	2/ \$1,068,679	3.14
3	Difference Due To Method	(\$129,242)	3/ \$174,547	3/ (\$45,306)	3/ \$0	
4	% Difference Due To Method	124% 4/	55% 4/	131% 4/	100%	

Conclusions: For every additional dollar of cost that the PRC's methodology attributes to First Class, the USPS assigns \$1.24 of institutional cost to First Class. For every additional dollar of cost that the PRC's methodology attributes to third class, the USPS assigns \$.55 of institutional cost to third class. For every additional dollar of cost that the PRC's methodology attributes to all other subclasses and services, the USPS assigns \$1.31 of institutional cost to those subclasses and services.

1/ Page 2, Col 3  
2/ Apportionment Factor from Page 2, Col 8 \* \$1,068,679  
3/ Line 1 - Line 2  
4/ Line 2 / Line 1

### AFFIRMATION

I, Richard E. Bentley, affirm that my Responses to Interrogatories USPS/MMA-16 through 26 are true and correct to the best of my knowledge and belief.

11/5/96

Date

Richard Bentley  
Signature

### CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document (1) upon the U.S. Postal Service by messenger and First-Class Mail and (2) upon the other parties requesting such service by First-Class Mail.

JW. Dr  
Jeffrey Plummer

November 7, 1996



**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-18.**

Have you replicated or attempted to replicate the Commission's costing methodology reflected in PRC-LR-1 and 2? If so, please provide any and all notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

**RESPONSE**

Please see my response to Interrogatory USPS/MMA-17.

**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

**USPS/MMA-19.**

Have you compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 with the Commission's costing methodology from its Docket No. R94-1 recommended decision on reconsideration? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

**RESPONSE**

I did not regard it as appropriate to compare the Commission's costing methodology reflected in Library Reference PRC-LR-1 and 2 with the Commission's methodology used in Docket No. R94-1 and in Docket No. R90-1 decisions in view of the Commission's representations that Library Reference PRC-LR-1 and 2 "us[es] the established methodology of single subclass stops" (Order No. 1134, p. 16) and "us[es] approved methods" (*id.*) and that "the basic operation of the Commission's cost model is the same as in the last omnibus rate proceeding, Docket No. R94-1" (PRC-LR-2, Introduction). I have accepted the Commission's representation regarding the methodologies underlying Library Reference PRC-LR-1 and 2 in this case. See also my response to Interrogatory USPS/MMA-8(a). In addition, such comparisons were not necessary in order for me to complete my testimony.

There are additional reasons that any such comparison between Library Reference PRC-LR-1 and 2 and the Commission's methodology used in Dockets Nos. R94-1 and R90-1 need not be made by participants like MMA. If the Postal Service wants such comparisons to be made, it is in the best position to make those comparisons itself. Thus, in Order No. 1126 (p. 9), the Commission explained the problems that participants would encounter if they attempted to make such calculations on their own. In addition, the Commission has found that "the Service is in

**MMA WITNESS: RICHARD BENTLEY**  
**USPS/MMA-19**

the best position to apply approved attribution and distribution methodologies to its accrued cost data, and that it was neither unduly burdensome nor otherwise unreasonable to direct the Service to submit this information for the use of participants and the Commission" (Order No. 1134, p. 4). See also my answer to Interrogatory USPS/MMA-11.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-20.**

Have you compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 with the Commission's costing methodology from its initial Docket No. R94-1 recommended decision? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

**RESPONSE**

Please see my answer to Interrogatory USPS/MMA-19.

**MMA WITNESS: RICHARD BENTLEY**  
**USPS**

**USPS/MMA-21.**

Have you compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 with the Commission's costing methodology from its Docket No. R90-1 recommended decision on remand? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

**RESPONSE**

Please see my answer to Interrogatory USPS/MMA-19.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-22.**

Have you compared or attempted to compare the Commission's costing methodology reflected in PRC-LR-1 and 2 with the Commission's costing methodology from its initial Docket No. R90-1 recommended decision? If so, please provide any notes, results, spreadsheets, workpapers, electronic files and other documentation related to that effort. If not, why not?

**RESPONSE**

Please see my answer to Interrogatory USPS/MMA-19.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-23.**

Please refer to PRC-LR-2. Please confirm that the cost model documented in this library reference differs from prior Commission cost models (specifically Docket No. R94-1 upon reconsideration, PRC-LR-17) in at least the following respects:

a) PRC Component Numbers 309 through 316 (see page 2 of 13 of PRC-LR-2, Component Titles and Numbers) formerly received a redistribution mail volume effect, but now receive a direct mail volume effect.

b) PRC Component Number 1002 formerly received a non-volume workload effect, but no longer receives such an effect.

If you cannot confirm, please explain fully.

**RESPONSE**

I cannot confirm the requested information because I did not make the comparison between the two documents for the reasons stated in my answer to Interrogatory USPS/MMA-19.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-24.**

Is it your testimony that, if the Postal Service had attributed costs in this case in a manner consistent with the "Commission-approved method," after such attribution the Postal Service's "institutional cost apportionment factors" (percentage shares of institutional cost burden) would be 62.27% for First-Class Mail, 19.80% for Third Class BRR, and 17.93% for all other? If so, please explain fully why. If not, please explain fully what "institutional cost apportionment factors" would apply, and why.

**RESPONSE**

Yes. Library Reference PRC-LR-2 provides the following attributable cost amounts for BY 1995:

First Class Letters	\$17,856,472
Third Class BRR	6,145,129
All Other	9,687,755

USPS Witness Patelunas' Workpaper WP-A, pages 129-130 provides the following revenues for BY 1995:

First Class Letters	\$30,821,411
Third Class BRR	10,267,615
All Other	13,420,347

The "institutional cost burden" required is the difference between the revenues and attributable costs and are shown below:

First Class Letters	\$12,964,939
Third Class BRR	4,122,486
All Other	3,732,592

The "institutional cost apportionment factors" are then computed by dividing each "institutional cost burden" by the total of \$20,820,017. All of these computations are shown in Library Reference MMA-LR-1, page 2, lines 5-8.



**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-25.**

Please refer to your response to USPS/MMA-3, in which you state the position that the Commission should not act upon the Postal Service's proposed changes in this docket until after the Postal Service provides certain cost information conforming to Commission-approved methods.

a) Please confirm that it is your position that, given the current status of the evidentiary and procedural record of this case, the Commission should delay issuance of its recommended decision. If you confirm, state and explain fully the basis upon which the Commission could delay issuance of its decision. If you do not confirm, please explain fully.

**RESPONSE**

Confirmed. Please see my answers to interrogatories USPS/MMA-10(a), 10(b) and 11.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-25.**

Please refer to your response to USPS/MMA-3, in which you state the position that the Commission should not act upon the Postal Service's proposed changes in this docket until after the Postal Service provides certain cost information conforming to Commission-approved methods.

b) Would your position change in any way if the Commission were to provide the cost information in question, and provide a witness to sponsor, defend and explain it? Please explain fully. Include in any answer any objection you may have to Commission sponsorship of disputed methodologies.

**RESPONSE**

No. Please see my answer to interrogatories USPS/MMA-25(a), 10(a), 10(b) and 11.

**MMA WITNESS: RICHARD BENTLEY  
USPS**

**USPS/MMA-26.**

Assume that in the roll-forward methodology set out in the Commission's Docket No. R94-1 Recommended Decision on Reconsideration, the Commission, in its "ripple" file (See Docket No. R94-1, PRC LR-17, filename E:\RATE\R94-1\ROLL\R94REC10\RIP94.DAT), distributed components 1208 (Motor Vehicle Service-Personnel-Special Delivery Messengers) and 1219 (Motor Vehicle Service-Supplies & Materials-Special Delivery Messengers) on component 902 (Special Delivery Messengers-Street), but made no such distributions on component 901 (Special Delivery Messengers-Office). Assume further that the Commission, in the methodology described in library reference PRC-LR-2 (see filename PRC96RIP.DAT), distributed components 1208 and 1219 on component 901, in addition to the above-described distributions on component 902. In your opinion, would the Commission's PRC-LR-2 methodology be consistent with the methodology described in the Commission's Docket No. R94-1 Recommended Decisions on reconsideration? Please explain your answer in detail.

**RESPONSE**

I do not know. In my answer to the subparts to Interrogatory USPS/MMA-8, I explained the importance of utilizing a consistent costing approach to support proposed changes in rates and classifications. The Postal Service is in the best position to provide the computations referred to in order to measure the impact and significance of the requested assumptions, as I explained in my answer to Interrogatory USPS/MMA-17.

Since the interrogatory asks me to assume a change in Special Delivery Messenger costs, which I think would be quite small in relation to total postal costs, then I suspect that the final change in costs from your assumption would probably not be of any significance.